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## **Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by the Institute for Training and Development**

The Department of State, Office of Inspector General contracted with Leonard G. Birnbaum and Company, LLP, Certified Public Accountants, to perform agreed-upon procedures to determine whether the indirect cost rates proposed by the Institute for Training and Development for the years ended December 31, 2006, 2005, and 2004 complied with applicable regulations.

The independent accountants found the Institute's accounting system to be adequate for accumulating and reporting indirect costs under the provisions of the Office of Management and Budget (OMB) Circulars A-122, Codified at 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, and A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

The independent accountants' review disclosed that the indirect cost rates reported by the Institute for 2006, 2005, and 2004, while appropriately structured and calculated, included \$4,551 interest expense within the administrative expense pools. The independent accountants' questioned this interest expense as unallowable under the provisions of OMB Circular A-122.

The independent accountants' recommended that the Department accept and finalize the indirect cost rates for 2006, 2005 and 2004 as recommended in this report.

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The work for OIG Report AUD/CG-08-14 was conducted by Leonard G. Birnbaum and Company, LLP, Certified Public Accountants. This is an unclassified summary of a full report, which may receive limited official distribution.

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